

Questions for the Record for Ambassador Robert E. Lighthizer

U.S. House Ways and Means Committee

Hearing on U.S.-China Trade

February 27, 2019

From Chairman Richard E. Neal to Ambassador Robert E. Lighthizer

1. Since the 90-day deadline for the U.S.-China negotiations was suspended, does the Administration plan to announce a new deadline? If so, when? If there is a near term deadline, what is the plan to engage with the Chinese on substantive issues in the medium and long term?

Answer: At this time, the Administration does not plan to announce a new deadline for completion of the negotiations. As you know, the President announced that the tariffs on the \$200 billion list of products would stay at 10% while negotiations continue to be productive. The plan for long term engagement on substantive issues will ultimately depend on the result of these negotiations, but I can assure you that in the event of a trade deal, enforcement would be paramount.

2. Previous U.S.-China formal economic dialogues took place on a regular schedule and negotiators strived to secure from China commitments that would yield meaningful, structural outcomes. If outcomes on market access, non-discrimination, and IP protection are achieved through the current discussions, how will these negotiations have been different from earlier efforts? What will the implementation and enforcement plan be to ensure that China lives up to its commitments?

Answer: If an agreement were to be reached between the United States and China, it will have to be one that is enforceable. That means that there will be effective consequences in the event that China does not live up to its commitments. As I discussed in my testimony, if there is an agreement, a process will be established with regular meetings at the staff, vice-ministerial, and vice-premier level. These channels will address individual instances and systemic problems that companies are encountering in areas covered by the agreement. If these problems cannot be resolved within defined timeframes, then the United States would expect to act proportionately, but unilaterally, to insist on enforcement.

3. What are this Administration's labor and environment standards objectives for the China negotiations? If these are not being address in the current negotiations, why not? And when will the Administration address those structural competitive problems in China?

Answer: Under President Trump's leadership, the United States is committed to working toward a more fair and reciprocal trade relationship with China. In the current negotiations with China, we are seeking to address a wide range of unfair trade practices. Although we are not currently directly addressing labor and environment

standards, I am committed to working with you and other Members of Congress to discuss options and policy tools for addressing these important issues.

4. What commitments is the Administration asking China to make to ensure that Chinese marketing approvals, technical regulations, and standards requirements are transparent, science-based and consistent with international standards? How will the Administration ensure that any commitments result in meaningful changes to China's systems and approaches?

Answer: The Administration's goal is fair and reciprocal trade with China on terms that are enforceable and that address China's unfair trade practices. In our negotiations with China, we are working to ensure that China adopts standards and technical regulations that are consistent with international standards. We are also working to ensure that American companies can participate fully and on equal terms with Chinese companies in China's standards-setting processes. Ensuring that China implements its commitments in any agreement is also crucial, and so we are determined to include an enforcement mechanism that makes China's commitments fully enforceable and subject to responsive action by the United States in the event of noncompliance.

5. China's licensing and approval regimes often deny market access and limit U.S. companies' ability to compete even if the market technically appears to be open under Chinese law. What provisions do you anticipate including in a trade agreement with China to ensure fair and reciprocal treatment for American companies operating and selling in China? Will China commit to providing American investors treatment no less favorable than the best treatment offered to any domestic Chinese company, whether private, state-owned or state controlled? Has China agreed to eliminate laws, regulations, enforcement regimes, approvals processes and other policies or requirements that discriminate against American and foreign firms? Will U.S. companies still be required to acquire licenses with Chinese business partners to operate in China?

Answer: The Administration's goal is fair and reciprocal trade with China on terms that are enforceable and that address China's unfair trade practices. In our negotiations with China, we are working to ensure that American companies are treated no less favorably than Chinese companies in a wide range of contexts, including in China's numerous licensing and administrative approval processes. Ensuring that China implements its commitments in any agreement is also crucial, and so we are determined to include an enforcement mechanism that makes China's commitments fully enforceable and subject to responsive action by the United States in the event of non-compliance.

6. How is the Administration working jointly with our allies and trading partners to confront shared challenges with China?

Answer: The Administration works extensively with our allies and trading partners to confront shared challenges with China. For example, I meet regularly with my counterparts in the European Union and Japan to address non market-oriented policies and practices of third countries that lead to severe overcapacity, create unfair competitive conditions for their workers and businesses, hinder the development and use of innovative technologies, and undermine the proper functioning of international trade, including where existing rules are not effective. Additionally, within the USMCA, the United States, Mexico and Canada set forth high standards aimed at combating non-market practices such as currency manipulation and state-sponsored subsidies. The Administration will continue to actively engage with our allies and trading partners on these shared challenges.

7. The Administration's current leverage in the discussions with China comes from the tariffs imposed on \$250 billion of imports from China. What other tools and sources of leverage does the Administration consider are available to impact the terms of U.S.-China trade? Is the Administration considering using other tools? Are there additional tools that the Administration would like to have available? What would they be?

Answer: The President's use of Section 301 of the Trade Act of 1974 is providing the United States with an important source of leverage to bring China to the table to negotiate an enforceable agreement that will address China's unfair trade practices. Additionally, there is a role for international bodies, including WTO dispute resolution where appropriate, along with engagement with our allies and other like-minded countries, in confronting China. I would be pleased to work with Members of Congress on new tools to address challenges like those that we confront with regard to our trade relationship with China.

8. What is the Administration's ultimate aim in re-setting the terms of U.S.-China trade? What kind of relationship does the Administration consider the United States and China should have in the global economy now and in the future?

Answer: The Administration's goal is fair and reciprocal trade with China on terms that are enforceable and that address China's unfair trade practices, including in the areas of forced technology transfer, intellectual property protection and enforcement, cyber theft of commercial secrets, tariff and non-tariff barriers, including subsidies, services, and agriculture. Achieving this goal will require structural changes in China and a more market-based and open economy.

9. If negotiations with China are not able to yield results that fundamentally alter China's approach to directing and managing its economic and trade policies and relationships, what does the Administration consider to be the best options for U.S. international economic and trade policy with China going forward? Is the "de-coupling" of the U.S. and Chinese economies a worthy or feasible goal – either for all or select sectors? Why or why not?

Answer: The President's pro-growth, pro-jobs economic agenda has created the strongest economy America has seen in decades. Through deregulation, tax reform, and an ambitious trade policy, he has created 5 million jobs and lifted wages for Americans. The President's trade policies are working, and we will have an even stronger economy as a result. The President's success is particularly remarkable in light of the slowing growth in other countries, such as China. Our strong economy puts the United States in a position of strength. We have maximum leverage to fix longstanding trade concerns and are able to sustain any short term disruptions. We are encouraged by our negotiations with China and will continue to work with the Chinese in good faith. However, we will not compromise on achieving greater market access for U.S. exports and fair and reciprocal treatment for U.S. farmers, ranchers, and businesses.